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FM AMEMBASSY ISLAMABAD
TO RUEHC/SECSTATE WASHDC 0263
INFO RUEHAD/AMEMBASSY ABU DHABI 3432
RUEHAH/AMEMBASSY ASHGABAT 2695
RUEHTA/AMEMBASSY ASTANA 0241
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RUEHBY/AMEMBASSY CANBERRA 0937
RUEHLM/AMEMBASSY COLOMBO 1399
RUEHKA/AMEMBASSY DHAKA 2165
RUEHDBU/AMEMBASSY DUSHANBE
RUEHBUL/AMEMBASSY KABUL 7287
RUEHKT/AMEMBASSY KATHMANDU 8562
RUEHLO/AMEMBASSY LONDON 5954
RUEHML/AMEMBASSY MANILA 2839
RUEHNE/AMEMBASSY NEW DELHI 1297
RUEHOT/AMEMBASSY OTTAWA 1100
RUEHNT/AMEMBASSY TASHKENT 3440
RUEHWR/AMEMBASSY WARSAW 0260
RUEHKP/AMCONSUL KARACHI 6605
RUEHLH/AMCONSUL LAHORE 2785
RUEHPW/AMCONSUL PESHAWAR 1208

C O N F I D E N T I A L SECTION 01 OF 02 ISLAMABAD 002950

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SUBJECT: HIGH-LEVEL APG DELEGATION EXPRESSES CONCERN TO GOP
OVER LACK OF PROGRESS ON AML LEGISLATION

REF: ISLAMABAD 2866

Classified By: Ambassador Anne Patterson for Reasons 1.4(b) and (d)

¶1. (C) Summary: A high-level delegation of the Asia-Pacific Group on Money Laundering (APG), a regional subsidiary of FATF, traveled to Pakistan on July 2-3 to gage the country's progress on passing Anti-Money Laundering (AML) legislation, and to send a message that quick movement was necessary in order to prevent Pakistan from being subject to eventual disciplinary action. While the delegation met with a range of GOP officials, they were not met at a particularly high level, and they were unable to meet with the Prime Minister or Financial Advisor Salman Shah. Their agenda was changed at the last minute to remove meetings with any member of the Standing Committee on Finance, which has been considering the AML bill for the past two years. Meetings with the Commissioner of the Pakistan Securities and Exchange Commission and Foreign Ministry were particularly tense, as neither saw any urgency to passing the legislation. It is likely, as an initial step, that, at the next meeting of the APG in Perth on July 23, Pakistan will not be allowed to assume a seat on the Group's steering committee, which it is scheduled to do based on an alphabetic rotation. While it is unlikely that Pakistan will be barred from the group at this point, it will face more intense scrutiny, perhaps monthly evaluations. End Summary.

¶2. (C) In two days of meetings, the APG high level delegation -- consisting of Dr. Yunus Husein, APG Co-Chair; Djoko Kurnijanto, Indonesian Financial Transaction Reports

and Analysis Centre; Gordon Hook, Executive Secretary, APG Secretariat; Stuart Hughes, Canadian High Commission;

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Vincente Aquino, Executive Director, Anti-Money Laundering Council; and Ian Knight, Deputy Secretary, APG Secretariat -- met with Major General (R) Mohammed Siddique, Acting Chairman of the National Accountability Board; Dr. Shamshad Akhtar, Governor of the State Bank of Pakistan (via video-link from Karachi); Commissioner Razi-ur-Rahman of the Pakistan Securities and Exchange Commission; Additional Secretary Haider at the MFA; Secretary Mansoor Ahmed of the Law Ministry; and Nawid Ahson, Secretary General, Ministry of Finance. The team was originally scheduled to meet with members of the National Assembly's Standing Committee on Finance, but this appointment was canceled with no explanation. (Note: as Committee member Piracha (reftel) was unaware of the possible sanctions the APG could impose, such a meeting with the lawmakers might have proven useful. End Note) They had requested to meet with Finance Advisor to the Prime Minister Salman Shah and the Prime Minister, but were unable to do so.

13. (C) The delegation concluded that the State Bank's Dr. Akhtar and Chairman Aziz of the NAB were the only two of their interlocutors who were committed to the swift passage of the AML legislation. They met particular resistance from the PSEC Commissioner Rehman, who did not see why he should be involved at all, even though he regulates all non-bank financial institutions, and from MFA Additional Secretary Haider, who said that if Pakistan were removed from the APG, they could expect much less cooperation in the future on fighting the war on terror. He claimed that the West has not lived up to its end of the bargain in terms of providing

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technical cooperation in the broader GWOT.

14. (C) They were told by the Ministry of Finance that the Standing Committee had finished reviewing the draft legislation in May, but had requested a smaller sub-committee be formed to ensure that all the comments were reflected in appropriate legally correct language. The sub-committee had yet to meet, however, and the MOF predicted that they would need at least one month to finalize the legislation. No timetable for presentation to the full National Assembly was given. Hook asked for a copy of the terms of reference for the sub-committee, but was not given any indication that they existed.

15. (C) The delegation said it had sent an "uncompromising message", but in the spirit of friendly cooperation. It is clear that they are losing patience with Pakistan, which has been a member of the APG since 2000. It finished a draft bill in 2002, but there has been no concrete progress since then, as the bill has languished with the Standing Committee of the National Assembly for almost two years. The team was not particularly concerned with the wording of the draft bill, as their feeling was that the legislation could be amended in the future if necessary. Hook did note that, under the draft legislation, the military (which owns one of the largest banks in Pakistan) is entirely exempt from inclusion in the AML legislation. He did express concern that the NAB's corruption function would remain unchanged, and, as the NAB was created by a Presidential ordinance and reports directly to the President, the President could theoretically dissolve it if its findings were not to his liking. Hook also compared Pakistan unfavorably with India, which had made great strides in its legislation and enforcement. Aquino of the Philippines recounted the comprehensive steps his country had taken to become compliant after being notified that it was on the list of non-cooperative countries.

16. (C) The APG will next meet in Perth the week of July 23. While no formal sanctions will be taken against Pakistan at

that time, according to Hook, it is likely that Pakistan will be dis-invited to be a member of the steering committee, on which it is scheduled to sit based on alphabetic rotation. GOP officials indicated to the delegation that they would be sending many more than their usual number of delegates to Perth, but did not directly acknowledge that this was in response to concerns about the stagnant AML legislation. According to Hook, initially it is probable that Pakistan will be put under a schedule of stricter monitoring, perhaps monthly.

17. (C) Comment: If it was Pakistan's intent to reassure the APG that it was taking its membership commitments seriously, it obviously failed in that effort. There appears to be no high-level commitment or coordinated strategy in place to pass the legislation, a critical element for progress here. It was unfortunate that the delegation was unable to meet with the Prime Minister, but understandable given the breaking events at the Red Mosque at the time of their appointment request. The Ambassador plans to raise the lack of progress on the AML bill with the Prime Minister during her introductory courtesy call. End Comment.
PATTERSON